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The LDC debt problem — at the midpoint?

Lasting resolution of the LDC debt problem now is nearing the halfway mark in important respects. During the past two years a number of major debtor countries have made significant progress toward resolving their debt problems. Impressive improvements in trade and current account balances have enabled a number of countries to earn much, if not all, of the foreign exchange needed to make interest payments on their debts, rather than rely on new loans. Moreover, in all but a few cases, economic growth has resumed after several years of recession, and declines in real per capita incomes are being brought to an end.

Furthermore, the demonstrable progress of the two largest debtors, Mexico and Brazil, has helped defuse the intense anxieties prevalent two years ago concerning international debts. In turn, most of the LDC borrowers in Asia have been able to retain fairly normal access to credit markets. Accordingly, of the $500 billion collectively owed by the major borrowers listed in the tables, two-thirds is owed either by countries that were untouched by the recent debt troubles or by countries whose economic performance has surpassed most expectations. The remaining third, however, is owed by countries such as Argentina that are still lagging in the implementation of adjustment programs or in restructuring their external finances.

Earlier this year when interest rates began to rise again, fears were expressed that higher interest costs would offset the trade gains being made by debtor countries through their adjustment efforts and economic recovery in industrial-country export markets. Some analysts questioned the viability of the basic strategy for eventual resolution of debt problems. These fears, however, have not been borne out. Not only have interest rates declined, but even more important, growth in industrial countries, especially the United States, has made it possible for debtor countries to expand exports and increase trade surpluses by more than enough to cover the increased debt-servicing costs. Research presented in this article reconfirms that industrial-country expansion is a more powerful influence than interest rates on the external payments prospects of major debtor countries.

Despite substanial progress, there is still a long way to go. None of the countries that have experienced debt-servicing problems has yet

Table 1

Current account balances

billions of dollars

	1981	1983	1984
Argentina	—4.7	—2.4	—2.0
Brazil	—11.7	—6.9	—2.3
Chile	—4.7	—1.1	—2.0
Colombia	—1.9	—2.7	—2.2
Ecuador	—1.0	—0.1	—0.2
Mexico	—12.5	5.5	3.9
Peru	—1.6	—0.9	—0.8
Venezuela	4.0	3.7	0.5
Subtotal	—34.3	—4.8	—5.0
Nigeria	—6.0	—4.8	—0.5
Philippines	—2.3	—3.2	—1.6
Indonesia	—0.6	—6.3	—3.5
Korea	—4.6	—1.6	—1.8
Malaysia	—2.4	—2.8	—2.2
Taiwan	0.5	4.5	6.4
Thailand	—2.6	—2.9	—2.0
Turkey	—2.3	—2.3	—1.6
Subtotal	—20.4	—19.4	—6.7
Total	—54.6	—24.2	—11.8

Table 2

Improvement in trade and current accounts between 1981 and 1984*

billions of dollars

	Current account	Trade in goods and noninterest services	Interest payments
Argentina	2.7	4.9	—2.1
Brazil	9.5	10.9	—1.4
Chile	2.8	3.1	—0.3
Colombia	—0.3	—0.1	—0.2
Ecuador	0.8	0.9	—0.1
Mexico	16.4	20.2	—3.7
Peru	0.8	0.8	—0.0
Venezuela	—3.6	—1.9	—1.6
Subtotal	29.2	38.7	—9.5
Nigeria	5.5	6.3	—0.8
Philippines	0.7	1.8	—1.1
Indonesia	—2.9	—2.3	—0.6
Korea	2.8	3.2	—0.4
Malaysia	0.2	0.8	—0.6
Taiwan	5.9	5.8	0.1
Thailand	0.6	0.6	—0.0
Turkey	0.8	1.2	—0.5
Subtotal	13.6	17.5	—3.9
Total	42.8	56.2	—13.4

*Negative number indicates deterioration in current account and trade balances or increase in interest payments.

reached the stage at which it can roll over existing debts in normal market fashion and, beyond that, attract new money on a spontaneous basis from credit markets. Several further years will be needed for many debtor countries to achieve the necessary declines in present, very high, debt-to-export ratios. It also could take some countries until near the end of the decade to bring real per capita incomes back up to precrisis levels. To reach these goals, debtor countries will have to sustain economic adjustment, both external and internal, strengthen their private sectors, and rebuild investor confidence. Given that concerns for capital adequacy and risk concentration will limit the ability of banks to extend substantial new loans to LDCs for some years to come, it is important for these countries to find ways to tap other sources of funds, especially the huge amounts of overseas assets belonging to their own residents. Foreign lenders and investors are unlikely to make sizable new commitments of funds to these countries until residents display sufficient confidence to bring back some of their expatriated capital.

Sustained OECD growth to provide markets for debtor-country exports is key to the basic strategy for resolving debt problems. Thus, as the U.S. expansion slows to a more sustainable rate and import growth moderates, it is essential that the pace of economic activity accelerate in other industrial countries, especially in Europe, where recovery has been anemic, as well as in Japan, where it has been sluggish by comparison with the United States. Similarly, the eventual narrowing of the large U.S. trade deficit must occur mainly through lower trade surpluses in Europe and Japan, not at the expense of LDC export performance if progress in resolving debt problems is to be maintained.

Areas of improvement

A number of the major debtor countries have made substantial progress in external payments adjustment. The aggregate current account deficit of sixteen developing countries, which together account for about 60% of total LDC external debt and nearly 80% of debt to banks, is projected to narrow to about $12 billion this year from approximately $24 billion in 1983 and nearly $55 billion in 1981 (see Table 1). The greatest improvements have been registered by the two largest debtor countries, Brazil and Mexico. Underlying this remarkable current account performance is an even larger gain in merchandise and noninterest services trade (see Table 2). Between 1981 and 1984, the sixteen major debtors have boosted their combined trade surplus by more than $56 billion.

At first, these trade balance gains were achieved largely by cutting imports. As shown in Table 3, imports were nearly halved between 1981 and 1983 in a number of countries, and reduced by two-thirds in Mexico. Countries resorted to various combinations of restrictive fiscal, monetary, and wage policies, exchange rate depreciation, and quantitative controls to bring about these large import reductions. Most major borrowers experiencing debt-servicing difficulties undertook this retrenchment in the context of adjustment programs monitored and supported by the IMF.

Import cutbacks were accompanied by declines in economic activity, some very sharp. However, not all of the drop in imports has been the result of reductions in domestic demand and quantitative restrictions. Import substitution has also played a significant role in several countries. Brazil's ongoing substitution efforts in energy, chemicals, metals, and other industrial materials have done much to contain imports. For exam-

Table 3

Merchandise imports

percent changes
based on balance of payments data in dollars

	1981 to 1983	1983 to 1984
Argentina	—51.1	—5.3
Brazil	—30.2	—9.3
Chile	—56.4	12.8
Colombia	—0.1	—9.6
Ecuador	—40.4	13.6
Mexico	—67.7	36.0
Peru	—29.3	—7.0
Venezuela	—44.1	32.8
Subtotal	—45.6	7.1
Nigeria	—35.8	—30.3
Philippines	—4.5	—22.2
Indonesia	7.2	—6.4
Korea	2.5	15.2
Malaysia	13.8	6.7
Taiwan	—7.3	20.6
Thailand	2.6	0.4
Turkey	3.0	6.5
Subtotal	—4.6	2.1
Total	—22.4	3.6

Table 4

Merchandise exports

percent changes
based on balance of payments data in dollars

	1981 to 1983	1983 to 1984
Argentina	—14.3	11.0
Brazil	—6.0	21.0
Chile	0.4	—1.3
Colombia	—6.7	8.3
Ecuador	—7.0	7.8
Mexico	10.2	10.3
Peru	—7.2	2.8
Venezuela	—26.6	5.6
Subtotal	—7.9	11.5
Nigeria	—41.8	6.6
Philippines	—13.2	8.7
Indonesia	—20.0	10.2
Korea	12.3	16.4
Malaysia	20.5	14.4
Taiwan	11.7	23.9
Thailand	—8.6	14.1
Turkey	21.8	25.0
Subtotal	—6.5	15.3
Total	—6.5	13.7

ple, its net oil imports are likely to fall below 450,000 barrels per day (bpd) this year versus more than 770,000 bpd in 1981. Together with lower world oil prices, this has slashed Brazil's net oil import bill by more than $5 billion. In Mexico, too, there has been considerable import substitution, especially for nondurable consumer goods, in response to changes in relative prices.

Although imports have continued to fall this year in several countries, they have begun rising in others. The major source of continuing trade balance improvement now is export expansion, helped greatly by strong U.S. demand. Virtually all of the major debtor countries will register export gains in 1984, many at double-digit rates (see Table 4). Brazil's exports rose 21% in the first eight months of this year, led by a 40% gain in manufactures. Mexico's overall exports are running 10% ahead of last year's level, with nonoil exports up by 35% during the first half of this year. Even countries adversely affected by weak prices for commodities, especially metals, have managed to boost overall export earnings by stepping up the volume of shipments. Exchange rate depreciation and weak domestic demand have encouraged manufacturers to seek out export markets.

As a result of increases in surpluses on merchandise and noninterest services trade, a number of countries that have experienced debt-servicing difficulties now are earning a large portion of their interest payments. Indeed, the trade surpluses of Mexico and Venezuela may be sufficient to cover all their interest obligations. Brazil's interest payments coverage should exceed 80%, and Nigeria's could reach 70% in the absence of further oil price weakness (see Table 5).

Besides the continuing improvement in their trade and current account performance this year, all but two of the troubled debtor countries have now resumed economic growth (see Table 6). Although growth in Latin America still is modest — in most countries within the range of 1% to 3% — the upturn is encouraging evidence of the benefits that can be won by improved demand management and resource allocation. Next year should see even better economic growth, averaging about 3½% in Latin America, with Brazil achieving perhaps 5%. For many countries this will provide the first, albeit marginal, increase in real per capita GDP since 1980 or 1981.

Yet another area of improvement is reduced capital outflows. During the late 1970s and early 1980s, capital flight was a major factor in the rapid buildup of external debt in several countries — notably Argentina, Mexico, the Philippines, and Venezuela. Capital outflows now have diminished considerably, especially from countries that have implemented credible adjustment programs, including realistic interest and exchange rate policies. The tightening of exchange controls also has had a dampening influence, although capital flight in the form of underinvoicing of exports and overinvoicing of imports and through unofficial foreign exchange markets continues in a few major debtor countries. However, there are indications that residents of some countries, faced with the inability to purchase foreign exchange from their respective central banks, have drawn on their assets accumulated abroad to pay for essential imports and to service their external debt.

The combination of improved current account performance and reduced capital outflows has enabled several major debtor countries to rebuild their foreign exchange reserves. Mexico's gross foreign exchange reserves now exceed $7 billion, or the equivalent of more than

Table 5

Interest payments coverage

*percent of interest payments on external debt covered by surplus on trade in goods and noninterest services**

	1982	1983	1984
Argentina	52	55	67
Brazil	—30	33	81
Chile	—0	41	13
Colombia	—153	—188	—89
Ecuador	—47	85	73
Mexico	57	156	132
Peru	—58	5	25
Venezuela	—17	208	110
Subtotal	5	86	87
Nigeria	—545	—266	73
Philippines	—76	—58	36
Indonesia	—185	—244	—73
Korea	30	52	55
Malaysia	—401	—233	—102
Taiwan	274	540	645
Thailand	23	—133	—70
Turkey	21	—60	5
Subtotal	—66	—49	56
Total	—14	48	79

*Negative number indicates deficit on trade in goods and noninterest services.

Table 6

Real GDP growth

percent per annum

	1982-83	1984	1985
Argentina	—1.3	3.0	2.0
Brazil	—1.1	2.5	5.0
Chile	—7.8	5.5	1.0
Colombia	0.9	2.0	1.0
Ecuador	—0.8	1.0	3.0
Mexico	—2.6	1.5	4.2
Peru	—5.8	2.0	3.0
Venezuela	—2.1	1.0	3.0
Average	—1.9	2.2	3.7
Nigeria	—3.3	—2.0	0.0
Philippines	2.0	—5.0	0.0
Indonesia	3.6	5.0	4.0
Korea	7.6	8.0	7.5
Malaysia	5.7	6.5	6.0
Taiwan	5.5	9.5	6.0
Thailand	3.9	4.5	5.0
Turkey	3.9	4.5	5.0
Average	3.6	4.2	4.2

eight months' worth of imports, up from $3.9 billion at the end of 1983 and only about $800 million at the end of 1982. Brazil's gross foreign exchange reserves also exceed $7 billion (more than six months' imports), up from less than $4.4 billion at the end of 1983 and only $3 billion in early 1983. Venezuela has added over $2 billion to its already sizable official reserve assets since the end of 1982, including more than $1 billion since the beginning of this year.

At the same time, debt growth has slowed to a sustainable pace. The total external debt of the seven major Latin American countries increased by an estimated $16 billion, or 5.3% in 1983, and is projected to rise by scarcely more in 1984 (see Table 7). This relatively slow growth of debt together with the pickup in exports this year is bringing about a downturn in debt-to-export ratios for the four largest Latin borrowers, with further reductions in store next year (see Table 8). Encouraging as these initial declines are, returning to precrisis levels will take many years of good export performance and limited debt growth.

Commercial banks, by slowing the growth of their loans to LDCs and by building up their capital and reserves, have succeeded in reducing their loan-to-capital ratios from the peak levels of 1982. Banks in the BIS-reporting area increased their outstanding claims on all LDCs by nearly $26 billion, or 5.7% at an annual rate ($29½ billion, or a 7.9% rate at constant exchange rates), between December 1982 and March 1984. Their claims on Latin American countries rose by $9 billion, or 3.4% at an annual rate, over the same period, mostly for Brazil and Mexico. For U.S. banks the annual rates of increase were only 2.2% for all LDCs and 4.1% for Latin America between December 1982 and June 1984. At the same time, banks have increased their capital and added significantly to their loan loss reserves. For example, the nine largest U.S. banks boosted their primary capital, which includes loan loss reserves, by 25% in the past two years. Thus, banks have been able to reduce their loans to heavily indebted LDCs relative to their capital. As shown in Chart 1, the ratios of claims on LDCs to primary capital at U.S. money center banks have fallen considerably since 1982, bringing them almost halfway back to the levels prevailing before the large run-up in loans in the aftermath of the second oil price shock.

Banks have also successfully rescheduled some of their existing credits to countries that have implemented adjustment programs. Until recently, debts rescheduled by banks largely covered 1983 and 1984 maturities. However, debt restructuring took new directions in a recent agreement with Mexico, which provides for restructuring $48.7 billion of bank loans, representing most of the public sector's obligations maturing over the next six years. These maturities will be extended for up to 14 years on more favorable terms to the borrower — a spread over LIBOR or cost of funds that averages about 1⅛%, with no front-end fees or commissions — in recognition of the progress made by Mexico in its economic adjustment. The agreement also gives non-U.S. banks an option to switch up to half of their dollar-denominated loans being rescheduled to their home currencies. With interest rates on several of these currencies lower than for dollars, switching could reduce Mexico's interest costs significantly.

The multiyear feature represents an effort to put Mexico's financing arrangements on a longer-term basis and to move away from the year-to-year approach that tended to engender a sense of short-term crisis

Table 7

Gross external debt

billions of dollars, at end of year

	1982	1983	1984
Argentina	41.7	43.4	45.0
Brazil	85.3	93.6	102.0
Chile	18.0	18.6	20.5
Colombia	10.6	11.2	11.7
Ecuador	6.3	6.9	7.1
Mexico	87.1	90.6	94.9
Peru	11.6	12.8	14.0
Venezuela	35.6	34.9	35.0
Subtotal	296.2	312.0	330.2
Nigeria	13.8	18.2	19.0
Philippines	24.5	26.5	26.5
Indonesia	24.8	29.2	32.0
Korea	37.3	40.1	44.0
Malaysia	11.5	14.8	17.0
Taiwan	9.7	10.0	10.3
Thailand	11.7	12.6	13.5
Turkey	22.3	23.9	25.3
Subtotal	155.6	175.3	187.6
Total	451.8	487.3	517.8

Table 8

Debt-to-export ratios

average of gross external debt at beginning and end of year as percent of exports of goods and services

	1982	1983	1984
Argentina	385	435	405
Brazil	339	366	331
Chile	333	375	394
Colombia	193	247	259
Ecuador	235	246	241
Mexico	288	317	293
Peru	256	320	338
Venezuela	168	203	192
Subtotal	297	327	310
Nigeria	75	146	160
Philippines	277	308	332
Indonesia	106	136	139
Korea	121	125	120
Malaysia	68	80	83
Taiwan	37	34	29
Thailand	116	129	125
Turkey	235	267	243
Subtotal	119	131	124
Total	196	213	200

management. Relieving the country of large annual refinancings for several years may open the possibility for Mexico to approach private credit markets on a more normal basis for modest amounts of new money over the next few years. Mexico, for its part, has agreed to IMF monitoring of its economic performance under enhanced Article IV consultation procedures, and will provide the banks with the resulting Fund reports. An agreement on multiyear rescheduling has also been reached in principle with Venezuela, and Brazil is expected to begin talks on a multiyear arrangement soon.

The agreement on enhanced Article IV consultations between the IMF and Mexico and a similar agreement by Venezuela mark an important, positive evolution in the Fund's role in dealing with debt problems. These arrangements promise significant benefits for all concerned. For the IMF, they provide a basis for continued, relatively close monitoring of economic performance and evaluation of policies and prospects in countries even after an IMF standby or extended facility program has expired, as it will in Mexico at the end of 1985, or where the country has had no IMF program, as in the case of Venezuela. Thus, even when the Fund is not providing conditional credit, insightful reporting could affect the attitudes of private lenders and encourage borrowers to continue with policies that will rebuild their creditworthiness.

Countries with lagging performance

Notwithstanding the substantial progress that has been made in resolving the payments problems of some developing countries, there are others whose external and internal adjustment is less impressive.

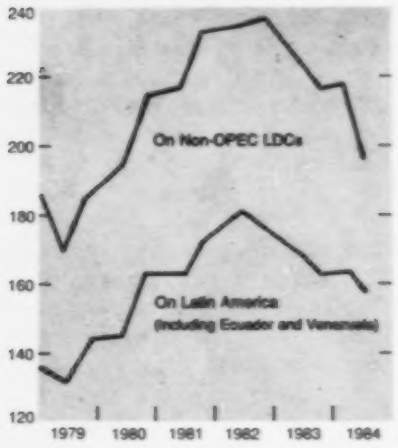
For example, Argentina has been running trade surpluses in recent years, but only because of sharp cuts in imports; export earnings this year will be lower than in 1981. Its current account remains in deficit by around $2 billion, and is unlikely to be reduced in 1985. The debt-to-export ratio remains exceedingly high, and the country's ability to earn the foreign exchange necessary to service that debt, as measured by interest payments coverage, has improved only modestly (see Table 5). Fiscal, monetary, and wage policies have led to hyperinflation and discouraged investment in export-oriented and other productive activities. The country has recently agreed in principle with the IMF on an economic program for the coming fifteen months. The program will receive IMF Board approval once corrective policies are in place, provided also that banks and official creditors agree on a financing package to bring interest and trade payments up to date as well as to cover next year's current account deficit.

The Philippines also has made insufficient progress in adjustment, with an agreement on economic policies and targets only recently concluded with the IMF. As in the case of Argentina, Fund support hinges on appropriate fiscal, monetary, and exchange rate measures and the lining up of new financing needed from banks and other creditors.

Nigeria's economic difficulties are largely due to falling world oil prices and sharp cuts in oil export volume. The country's oil revenues, 95% of total exports, dropped from $25 billion in 1980 to just over $10 billion this year. The government's response was much delayed. Deep cuts in imports, however, have enabled the country to continue servicing its bank and long-term government debt, although trade arrears now amount to $5 billion or more. The country needs to move away

Chart 1

Claims of 9 largest U.S. banks as percent of primary capital



from excessive reliance on exchange controls and restrictions and adopt a comprehensive economic program to shift relative prices, reallocate resources, and achieve a better balance between aggregate supply and demand.

Colombia has pursued expansionary domestic policies at a time of reduced export earnings. The resulting large current account deficit has now seriously eroded the country's once plentiful foreign exchange reserves. Unless the authorities implement a comprehensive adjustment program and secure the backing of the IMF, debt-servicing difficulties will be hard to avoid. With the right policies the country's financial prospects would brighten considerably, especially beyond 1986 when new developments of oil and coal come on stream. Colombia may be able not only to achieve oil self-sufficiency, but also to become a net oil exporter once again.

Peru's adjustment efforts have faltered because, for several years running, the public-sector deficit has far exceeded targets pledged to the IMF. The disarray in government finances is helping to maintain inflation above 100%. Access to IMF financing has been interrupted, delaying disbursement of new money from banks and the rescheduling of 1984-85 maturities. Recently, interest arrears have begun to accumulate. Resolute commitment to narrow the fiscal deficit will be difficult to forge during the run-up to the general elections set for early next year.

In some cases adjustment efforts to date have not yielded the hoped-for improvement in the balance of payments because of adverse external developments. Chile, for example, implemented restrictive fiscal, wage, and monetary policies in compliance with its IMF program. Its current account deficit, which was cut in 1982-83, has been widening this year, partly because of weak copper prices. The country has had to adopt further measures, including a September devaluation, to promote nontraditional exports and contain import growth. These actions, combined with some recovery in copper prices, will help to minimize the new funds needed from commercial banks.

The recent weakness in oil prices creates new dangers for those major debtors that are oil exporters. Their dependence on oil revenues typically is very high — more than 50% of total foreign exchange earnings in all cases and over 90% in most. Nevertheless, a modest and coordinated reduction in world oil prices could be endured by most of these countries — especially those already showing strong adjustment. Furthermore, lower oil prices would help sustain economic growth in OECD countries and would tend to reduce interest rates, offsetting some of the adverse impact on oil-exporting debtors. However, a much larger decline would destabilize some oil exporters and set back balance of payments improvements in countries such as Mexico and Venezuela.

Outlook under different global assumptions

There remain considerable differences of opinion among analysts about the impact of changes in the external economic environment on debtor nations. Some believe that the effect of industrial-country growth on the balance of payments of developing countries far outweighs the effect of interest rates, while others argue that the effects are about equal. It has also been suggested that depreciation of the dollar would ease the debt problem significantly.

The diversity of opinion has much to do with differing judgments about such key economic relationships as

Table 9

Base-case assumptions

percent changes unless otherwise noted

	1984	1985	1986	Annual averages 1986-1990
Real GDP growth				
Brazil	2.5	5.0	5.0	5.0
Chile	5.5	1.0	3.0	4.5
Mexico	1.5	4.2	4.2	5.4
OECD real GNP growth	4.7	3.3	1.5	2.5
6-month Eurodollar LIBOR, % p.a.	11.65	12.0	8.5	9.0
Dollar effective exchange rate	6.0	—3.0	—4.0	0.0
OECD manufactures prices				
Local currency	4.0	6.0	6.0	5.5
Dollar terms	—2.0	8.0	8.5	5.5
Oil prices (OPEC average, $/barrel)	28.5	28.0	26.0	1.4%*
Non-oil commodity prices	0.8	9.0	4.0	0.0%*

*Percent changes in real terms.

the link between OECD growth and LDC export volumes and prices, and that between LDC imports and domestic growth. Many studies have relied on highly aggregated data on OECD import volumes and developing-country exports to quantify those relationships. Research at this bank takes a disaggregated approach, distinguishing individual countries' trade in oil, raw materials, manufactures, and services. Particular attention is given to the relationship between output, investment, and imports. Furthermore, business-cycle effects on trade are distinguished from long-term trends.

Tables 9 and 10 present the major assumptions and results for three Latin American debtors: Brazil, Chile, and Mexico, providing examples of an oil importer whose exports include a significant share of manufactures, of an oil importer dependent on commodity exports, and of an oil exporter. The base-case results assume that OECD recovery continues at a moderate pace; that world inflation stays low; that interest rates and the dollar fall; and that real oil prices decline through 1986.

The results indicate that Brazil's exports of goods and noninterest services may grow 9.2% per annum on average for the rest of the decade, together with a 13% growth rate of imports of goods and noninterest services. Brazil's current account deficit, which has been cut to about $2 billion this year, could remain as modest in the years ahead. By 1990, total debt and debt owed to commercial banks would be no higher than today, on the assumption that Brazil continues to attract foreign direct investment. The upshot would be a sharp improvement in the debt-to-export ratio bringing it to little over 200% by 1990.

Mexico's situation also appears favorable. Its non-oil exports would grow by almost 12% per year, helping to offset the relatively sluggish performance of oil exports. Mexico would return to small current account deficits from 1986, but total debt would grow only at the modest rate of 3.4% per year during the rest of the 1980s. The debt-to-export ratio would be steady at around 290% for the next couple of years, while the rise in non-oil exports barely offsets the small decline in oil revenues. The ratio would later fall below 225% by 1990, assuming oil prices stabilize in real terms.

Chile's situation would be less favorable. Although export revenues could rise 12% per annum over the next several years, somewhat outpacing import costs, the current account deficit would run between $1 and $1.5 billion each year. Debt would grow at close to 6% per year and the debt-to-export ratio, 394% at present, would fall steadily, but only to a still-high 282% in 1990.

Besides the base-case results, Table 10 summarizes the sensitivity of the balance of payments of these debtors to independent changes in several external conditions. It is assumed that debtor countries maintain their domestic growth as in the

Table 10

Simulation results*

	Current account balance ($ billions)					External debt (average outstanding in year as % of exports)				Debt (year-end % change, annualized)	Interest payments (% of exports)			
	1982	1983	1984	1986	1990	1983	1984	1986	1990	1985-90	1983	1984	1986	1990
Brazil														
Base case	—16.3	—6.9	—2.3	—1.9	—1.2	366	331	314	203	0.0	42	40	33	21
Lower growth				—3.5	—8.8			332	269	3.3			35	28
Higher LIBOR				—2.9	—2.6			316	214	1.1			36	25
Lower oil prices				—1.1	0.8			310	190	—1.3			33	20
Lower dollar				—2.3	—2.8			301	202	0.9			32	21
Chile														
Base case	—2.3	—1.1	—2.0	—1.0	—1.4	375	394	348	282	5.6	37	45	30	26
Lower growth				—1.2	—2.8			366	350	7.7			32	32
Higher LIBOR				—1.2	—1.8			351	295	6.6			34	30
Lower oil prices				—0.9	—1.3			347	277	5.3			30	25
Lower dollar				—1.0	—1.5			327	269	6.1			28	25
Mexico														
Base case	—4.9	5.5	3.9	—0.6	—1.2	317	293	287	224	3.4	35	37	30	23
Lower growth				—1.2	—4.1			294	248	4.7			31	25
Higher LIBOR				—1.3	—2.6			288	234	4.4			33	26
Lower oil prices				—2.6	—5.1			311	264	5.7			33	27
Lower dollar				—1.3	—2.4			285	228	4.2			30	23

*Base-case assumptions are summarized in Table 9. Deviations from base case are: lower growth, OECD growth one percentage point lower each year; higher LIBOR, one percentage point higher each year; lower oil prices, 10% lower each year; lower dollar, 5% depreciation against other industrial-country currencies in both 1985 and 1986.

base case, despite the changes in the global environment. The simulated changes, all in relation to the base case, are: OECD growth, one percentage point lower each year; LIBOR, one percentage point higher each year; oil prices, 10% lower; and dollar depreciation, an additional 5% against other industrial-country currencies in both 1985 and 1986.

The greatest sensitivity is to OECD growth, which principally affects export volumes and the terms of trade. A 1% lower growth rate, beginning in 1985, would worsen the current account balance of Brazil by $1.6 billion in 1986 (5% of exports) and by $7.6 billion (17% of exports) by 1990, relative to the base case. The debt-to-export ratio would fall only to 269% by 1990. Thus, about half of the improvement projected in the base case would be undone. Yet even under this scenario Brazil's debt would grow just 3.3% per year.

Mexico's current account would be less affected, and its debt still would grow at the relatively modest rate of 4.7% — assuming that oil prices were not depressed by the lower OECD growth. Finally, Chile would be hard hit if Western growth fell. Even if Chile kept copper production up, its current account deficit would increase by $1.4 billion (17% of exports) in 1990 relative to the base case. The country's debt growth would accelerate to nearly 8% per annum and the debt-to-export ratio would fall only to 350%.

An interest rate level one percentage point higher than assumed in the base case from 1985 onward would have a sharply negative and immediate impact on current account performance of the debtor countries. Over the longer term, however, such a rise in interest rates does much less damage than a one percentage point drop in the OECD growth rate. Mexico shows the least

favorable "trade-off" between OECD growth and interest rates, largely because of the low responsiveness of oil exports to economic growth. Even so, the effects of higher interest rates on Mexico's current account are eclipsed by those of reduced economic growth after two years or so. For Brazil, the effects of OECD growth appear more important than interest rates even in the short term. Chile is an intermediate case in the trade-off spectrum, but is particularly vulnerable to higher interest rates: an extra percentage point on rates would leave its debt-to-export ratio barely below 300% by 1990.

If oil prices were 10% lower than in the base case, Mexico's current account deficit would increase by $2 billion in 1986 and by almost $4 billion in 1990. The debt-to-export ratio would decline only from 291% in 1984 to 264% in 1990. Debt would grow at 5.7% per year. In contrast, oil importers would benefit from lower oil prices. For Chile the relief would be modest. Brazil, however, would be a major beneficiary: the small current account deficits projected in the base case would be transformed into surpluses of around $800 million per annum, cutting the debt-to-export ratio to around 190% by 1990.

Finally, the effects of an extra 10% effective depreciation of the dollar differ from one country to another. Assuming oil prices hold unchanged, overall export prices in dollar terms would be boosted, with the effect strongest in Chile and weakest in Mexico. Noninterest service earnings would also benefit. However, import prices would climb, with Brazil's prices responding most. The overall effects on Brazil and Mexico would be minimal. Current account deficits in Mexico would increase relative to the base case, but the debt-to-export ratio would stay virtually unchanged, and debt would grow only 4.2% per year. Brazil's current account deficit would also increase somewhat relative to the base case, although the debt-to-export ratio would be little changed. Chile, by contrast, does seem to be helped, with its debt-to-export ratio falling just below 270%. Thus, while most observers have focused on the favorable impact of dollar depreciation on LDC exports, the potential relief of debt problems from this source looks modest once the implications for imports are taken into account. Moreover, any benefit of dollar depreciation to the debtor countries would be further reduced if allowance is made for translation effects upon interest payments and the stock of debt payable in nondollar currencies. Most of all, if dollar depreciation were accompanied by abrupt narrowing of the U.S. trade deficit, many developing countries could suffer severe erosion of their exports.

Altogether, these results strongly point to industrial-country growth as the most important external economic force affecting the developing world. Interest rates are less critical. Oil prices are significant for individual countries, but the benefits for some LDCs are offset by losses for the others. And, in general, it is doubtful that sharp dollar depreciation would substantially improve the prospects of debtor countries.

The long haul

The past two years have demonstrated the essential correctness of the strategy that has been followed in tackling LDC debt problems. In a context of renewed economic growth in industrial countries and moderating interest rates, those borrowing countries that have adopted export-oriented adjustment policies are reaping substantial benefits in terms of restored liquidity and eco-

Table 11

Industrial-country imports from LDCs

changes in annualized value of imports 1984 year-to-date versus second-half 1982

	Imports from non-OPEC LDCs	
	$ billions	*%*
*United States**	26.68	36.2
*Canada***	2.01	48.4
*Japan****	5.25	15.3
*France*****	0.58	5.0
*Germany*****	1.89	12.4
*Italy****	0.16	1.6
*United Kingdom***	1.94	17.9
Total	38.49	24.1

	Imports from Latin America	
	$ billions	*%*
*United States**	9.74	27.8
*Canada***	0.14	4.5
*Japan****	1.07	17.5
*France*****	0.15	4.7
*Germany*****	0.95	19.6
*Italy****	—0.60	—16.0
*United Kingdom***	0.17	9.5
Total	11.62	20.1

*Jan-Sep.
**Jan-Jul.
***Jan-Jun.
****Jan-Aug.

nomic expansion.

Nonetheless, real per capita incomes in virtually all developing countries that encountered debt problems still remain well below their precrisis levels. However, provided they adhere firmly to the longer-term objectives of their adjustment programs, Brazil, Mexico, and Venezuela can look forward to healthy economic growth in the years ahead that should allow real per capita incomes to recover fully within five years. In contrast, countries that have been tardy in implementing positive adjustment programs — among them, Argentina, Peru, the Philippines, and Nigeria — may be unable to restore precrisis income levels in this decade unless major policy improvements are quickly put in place.

One reason that adjustment in some countries has been less than decisive is the perception that renewed economic progress cannot be made while debtors are required to make net financial transfers to their creditors — that is, to pay more in interest than debtors receive through net capital inflows. Such transfers to creditors are practically unavoidable in the process of working down existing high debt burdens. Thus, if present debt-to-export ratios, which are 300% or more for many major borrowers, are to be brought down to 200% by the end of this decade, while their exports grow by 10%-12% per annum, gross debt levels can rise no more than 3% to 5% each year. This pace of debt accumulation and net capital inflow plainly falls far short of what a debtor country would need in order to cover interest payments.

The financial transfer issue comes down to how the transfers are accomplished. If exports cannot be increased, the trade surpluses required to cover the financial transfers can only be achieved by a compression of imports that will most likely penalize domestic economic growth. Naturally, that is not an appealing option for the debtor countries, especially to those lacking high export orientation. For example, if Brazil is to transfer the equivalent of 1% of its GNP to creditors without the help of increased exports, its imports of goods have to be scaled back by almost 15%. The corresponding transfer burden for Korea, by contrast, would be only 3% of imports, because the foreign-trade sector occupies a far larger share of total economic activity. If imports and economic growth are similarly related in the two countries, the transfer penalty on growth for Brazil appears almost five times larger than for Korea.

If export earnings continue to rise in the years ahead, however, there need be no inconsistency between transfer obligations and economic growth in the debtor countries. Thanks mainly to the world economic upswing and more supportive policies in Latin America, even some of the most heavily debt-burdened countries are beginning to experience export-led economic recovery while effecting net financial transfers.

Strong LDC export performance depends not only on industrial-country demand but also on the supply capabilities of the debtor countries. The enlargement of those capabilities requires policy reforms to boost domestic savings and to attract investment into the export sector. Appropriate reforms typically involve credible anti-inflationary monetary policies, fiscal reforms to curb the prevalent dissaving of the public sector, and tax and exchange rate policies that make exporting profitable. These likewise are the prerequisites for attracting equity and debt capital from abroad, including repatriation of resident-owned foreign assets.

These supply-side reforms also

will heighten the confidence of commercial bank creditors in their continuing commitment to the debtor countries. Even though the latter are making net financial transfers to creditors, they are still importing capital on a net basis. Bank exposures to the LDCs are projected to rise at the relatively moderate pace of around 5% per annum during the next few years. Assuming that banks continue building up their capital, in the case of U.S. banks by 12% per annum, LDC loan-to-capital ratios could be back to the 1979 level in another three years.

Finally, maintenance of OECD economic growth is essential for LDC export vigor. So far the United States has been the driving force in OECD recovery and the principal destination for the surge in exports from developing countries. Exports by non-OPEC LDCs to the seven major industrial countries have risen by $38.5 billion in 1984 so far, on an annualized basis, over the second half of 1982. Over two-thirds of that increase went to the United States (see Table 11). Latin America's exports rose $11.6 billion, with almost 85% going to the U.S. market.

In view of the LDC debt problem, it is vital that the inevitable narrowing of the U.S. trade deficit be accompanied by smaller surpluses or larger deficits in other OECD countries, not at the expense of larger deficits in developing countries. This cannot happen until Japan and Europe are ready to absorb more goods from developing countries, both by pursuing more expansionary policies and by opening up their markets. Until then, it is of paramount importance to keep the U.S. economy strong and to attack its imbalances with care. Ideally, for the sake of U.S. and global economic health, the U.S. budget deficit should be cut back in a gradual manner tailored to the course of economic growth at home and abroad. Policies that control the growth in government spending and reforms of the tax system so as to further encourage savings and investment would be best, because they can sustain growth and ease the pressures on interest rates. Precipitate action to wipe out the U.S. budget and trade deficits, by contrast, would only lead to a global slowdown that worsens the problems facing Europe and the developing countries.

Statistical appendix

For key to data in tables see September 1984 issue.

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average=100. Each index shows a currency's trade-weighted appreciation or depreciation measured against 15 other major currencies, using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures. Annual figures are calendar year averages.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Neth-erlands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
Pre-June 1970 parities	114.6	114.4	69.0	116.4	111.1	66.2	226.2	147.5	80.6	91.1	82.1	143.2	51.3	113.0	92.3	119.6
Smithsonian central rates	103.1	121.9	77.2	116.7	109.8	68.9	220.9	146.7	80.6	92.3	82.9	142.7	53.2	110.8	90.9	117.6
1980	90.7	100.4	95.5	96.0	106.5	100.0	108.4	99.8	99.4	105.9	100.2	106.5	95.4	105.1	98.2	103.9
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1983																
October	114.8	101.0	110.7	93.5	85.4	108.0	88.6	92.2	103.8	88.7	105.0	76.0	113.2	95.2	100.8	82.3
November	116.5	100.9	110.7	94.8	85.1	107.1	88.3	92.8	103.2	88.4	104.4	75.9	112.8	94.6	100.9	82.7
December	118.0	100.4	112.1	94.2	84.7	106.8	88.0	91.8	102.8	88.2	104.1	75.8	113.8	94.0	99.5	83.1
1984																
January	119.1	100.5	113.3	95.5	84.1	106.5	87.6	91.5	102.6	87.7	103.7	76.3	113.8	93.6	99.2	83.4
February	117.3	100.2	111.9	97.3	84.7	108.0	87.0	91.4	103.5	88.3	104.3	77.1	112.2	94.0	99.0	82.9
March	115.4	98.0	114.7	97.2	85.3	109.0	87.2	89.8	104.2	89.0	105.0	77.2	111.7	94.6	98.7	83.5
April	116.7	97.5	115.7	95.1	85.2	108.6	87.3	88.9	104.1	89.0	104.8	78.1	111.3	94.0	98.9	83.7
May	119.5	96.8	114.6	95.1	84.6	107.7	86.9	89.1	103.8	88.8	104.4	78.4	110.9	93.6	99.1	83.6
June	120.2	96.2	113.3	93.0	84.9	108.2	87.0	88.6	104.2	88.9	104.6	78.0	110.1	93.8	99.1	83.4
July	124.2	95.4	110.8	90.3	84.6	107.7	87.3	87.7	104.1	89.3	104.0	77.3	107.9	93.7	97.4	84.4
August	124.0	97.0	111.4	91.9	84.3	107.3	86.6	87.9	103.8	89.3	103.8	76.6	108.8	93.6	97.1	84.6
September	127.3	96.7	112.0	92.1	83.6	106.2	85.9	87.1	103.2	88.9	103.1	76.9	109.3	93.2	96.9	85.6
September 7	125.6	97.0	111.4	91.6	83.9	106.7	86.5	87.3	103.7	89.4	103.3	76.7	108.7	93.6	97.4	85.3
14	126.8	96.6	111.6	92.0	83.5	106.2	86.2	87.9	103.3	89.1	103.0	76.9	108.9	93.2	97.4	85.4
21	128.5	96.7	112.5	92.7	83.4	105.9	85.5	86.9	102.6	88.3	102.9	76.8	109.9	92.6	97.3	85.8
28	127.8	96.6	112.4	92.5	83.7	106.3	85.3	86.4	103.3	88.4	103.5	77.3	109.9	93.3	95.5	85.8
October 5	127.7	96.8	111.9	92.7	83.7	106.3	85.7	86.4	103.5	88.6	103.3	77.1	109.6	93.6	95.5	85.8
12	128.9	96.7	111.8	93.4	83.4	105.8	85.6	86.5	103.1	88.6	103.0	77.1	109.5	93.2	95.5	86.0
19	129.8	96.3	111.9	93.5	83.5	105.9	85.8	84.9	103.0	88.7	103.0	76.9	110.0	93.4	95.4	86.1
26	127.9	96.6	112.4	94.1	83.9	106.7	85.6	84.5	103.2	88.9	103.5	76.9	110.4	93.8	95.3	85.7

Real effective exchange rates

Index numbers, 1980-82 average=100. Each index is the corresponding nominal effective exchange rate adjusted for differential inflation in wholesale prices of nonfood manufactures. Underlying price data are partly estimated. Index revisions reflect revised price information or, less frequently, adoption of new price indices to measure inflation in one or more countries.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Neth-erlands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
1980	89.4	99.6	103.0	93.0	102.2	103.5	103.5	99.9	100.2	107.5	99.9	100.9	98.7	103.5	96.6	101.2
1981	100.6	100.0	104.6	102.7	100.1	97.3	98.7	102.3	99.1	100.3	97.6	99.4	98.7	99.2	100.9	102.1
1982	109.9	100.4	92.3	104.3	97.7	99.2	97.8	97.9	100.7	92.3	102.5	99.8	102.6	97.3	102.5	96.7
1983	112.7	103.1	96.6	100.0	95.9	99.3	100.1	92.0	101.6	92.1	101.8	90.5	105.3	98.8	101.3	91.5
1983																
October	113.2	103.3	97.4	102.3	95.5	98.9	99.7	92.5	101.4	90.8	101.0	89.1	105.9	98.4	102.6	92.4
November	114.4	103.2	97.4	104.0	95.4	97.7	100.0	93.3	100.8	90.8	100.2	89.6	105.8	96.6	102.4	93.3
December	115.5	103.0	98.5	103.8	95.5	97.3	99.9	92.1	100.4	90.3	99.7	90.5	106.4	95.6	101.5	94.1
1984																
January	116.1	103.6	99.1	105.4	94.3	96.7	100.3	91.9	102.1	89.8	100.4	91.7	106.0	95.3	101.3	95.1
February	114.1	103.4	97.7	107.4	95.6	97.8	100.0	91.9	102.9	90.0	101.2	91.8	104.3	96.5	101.5	94.7
March	111.9	101.7	99.9	107.3	96.4	98.5	100.6	90.7	103.7	90.5	101.7	93.5	103.9	96.2	101.0	95.7
April	113.0	101.4	100.4	105.2	96.6	98.0	101.3	89.9	103.1	90.1	101.4	95.0	103.2	95.5	101.0	95.6
May	115.9	100.4	99.1	105.6	96.4	97.1	101.2	90.3	102.5	89.6	101.1	95.8	101.9	95.6	101.8	95.8
June	116.6	99.7	97.7	101.8	97.5	97.1	101.6	89.7	102.9	89.4	101.3	95.8	101.1	97.2	101.3	95.4
July	120.2	99.3	95.4	98.9	97.7	96.7	101.6	89.0	102.9	89.5	100.8	95.2	98.8	95.3	99.1	97.0
August	119.8	100.9	95.9	100.6	98.0	96.0	100.9	89.3	102.7	89.2	100.6	94.0	100.2	95.7	98.3	98.3
September	121.7	101.4	96.7	100.8	97.8	95.0	100.3	88.8	102.1	88.8	100.0	94.3	100.5	95.5	97.9	99.6

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

		1981	1982	1983	1984						
		Dec	Dec	Dec	Mar	Apr	May	Jun	Jul	Aug	Sep
Eurodollar	*overnight*	12.87	9.25	9.50	10.13	10.25	10.38	11.25	11.75	11.50	11.63
	one month	13.31	9.12	9.69	10.44	10.63	11.06	11.75	11.50	11.69	11.00
	three months	13.75	9.19	9.81	10.63	10.94	11.75	12.13	11.81	11.88	11.38
	six months	14.81	9.50	10.06	10.94	11.25	12.50	12.63	12.25	12.13	11.56
	twelve months	14.75	9.62	10.37	11.44	11.75	13.63	13.50	12.75	12.63	11.81
Euro-Canadian dollar	*one month*	15.37	10.00	9.12	10.00	10.00	10.69	11.75	12.44	12.13	11.88
	three months	15.37	10.00	9.50	10.38	10.50	11.38	12.13	12.75	12.13	12.06
	six months	16.37	10.13	9.75	10.69	10.94	12.31	12.69	13.06	12.38	12.00
	twelve months	16.37	10.25	10.00	11.19	11.44	13.38	13.50	13.25	12.63	12.06
Euro-French franc	*one month*	15.75	23.00	12.12	12.94	11.94	12.00	11.81	11.38	10.88	10.94
	three months	17.00	24.00	12.19	14.38	13.13	13.19	12.31	11.75	11.88	11.25
	six months	18.00	22.00	12.31	15.13	13.88	14.19	13.25	12.69	11.19	11.69
	twelve months	18.25	19.75	12.62	15.88	14.88	14.94	14.56	13.63	12.69	12.13
Euromark	*one month*	10.44	5.87	5.25	5.50	5.44	5.63	5.56	5.25	5.31	5.44
	three months	10.50	5.87	5.87	5.56	5.63	5.94	5.88	5.75	5.50	5.75
	six months	10.56	5.94	6.12	5.75	5.75	6.25	6.19	6.13	5.88	5.94
	twelve months	10.25	6.00	6.37	6.13	6.19	6.31	6.75	6.56	6.19	6.00
Euro-Dutch guilder	*one month*	10.75	5.12	5.81	6.06	5.75	5.94	5.94	6.13	6.06	6.00
	three months	10.75	5.19	6.00	6.06	5.94	6.13	6.13	6.38	6.25	6.25
	six months	10.75	5.38	6.25	6.19	6.06	6.88	6.44	6.69	6.56	6.38
	twelve months	10.75	5.63	6.37	6.50	6.44	6.94	6.94	6.88	6.81	6.50
Euro-Swiss franc	*one month*	8.87	2.81	3.37	3.50	3.31	3.94	4.19	4.81	4.50	4.69
	three months	9.25	3.25	3.75	3.63	3.63	4.06	4.44	4.88	4.69	5.13
	six months	9.25	3.44	3.94	3.81	3.94	4.44	4.56	5.06	4.81	5.19
	twelve months	8.50	3.44	3.94	4.13	4.19	4.75	4.75	5.06	5.00	5.06
Eurosterling	*one month*	15.37	10.56	9.12	8.75	8.56	8.94	8.81	12.25	10.75	10.69
	three months	15.69	10.44	9.31	8.88	8.81	9.81	9.44	12.25	10.69	10.69
	six months	15.69	10.31	9.50	9.06	9.06	10.44	9.94	12.19	10.63	10.69
	twelve months	15.37	10.31	9.81	9.31	9.38	10.94	10.56	12.13	10.75	10.75
Euroyen	*one month*	6.12	6.75	6.25	6.19	6.00	6.38	6.00	6.13	6.38	6.13
	three months	6.12	6.75	6.31	6.19	6.19	6.38	6.19	6.31	6.31	6.31
	six months	6.87	7.10	6.38	6.25	6.25	6.44	6.31	6.31	6.31	6.31
	twelve months	6.87	6.81	6.44	6.38	6.31	6.56	6.50	6.50	6.50	6.44
European currency unit	*one month*	14.63	12.44	8.63	10.00	9.81	9.00	9.00	9.31	9.06	9.63
	three months	14.75	12.31	9.06	10.00	9.06	9.38	9.31	9.63	9.31	9.81
	six months	15.00	12.00	9.44	10.00	9.56	9.88	9.81	10.06	9.94	10.06
	twelve months	14.56	11.19	9.63	10.13	10.00	10.25	10.25	10.31	10.25	10.25

International bond issues — by currency

new issues with a maturity of three years or more, publicly offered or privately placed in the period
millions of dollars

	1981	1982	1983	1984			Jan-Oct	
				Aug	Sep	Oct	1984	1983
Eurobonds	**31 616**	**51 645**	**48 501**	**7 437**	**6 929**	**9 246**	**62 783**	**41 283**
U.S. dollar	26 830	43 959	38 428	6 612	5 677	7 628	51 048	33 176
Canadian dollar	634	1 201	1 039	142	161	308	1 341	774
German mark	1 277	2 588	3 817	378	346	406	3 620	3 282
British pound	501	748	1 947	157	440	537	3 088	1 321
Japanese yen	368	374	212	—	61	—	409	212
European composite units	309	1 980	2 019	148	171	256	2 292	1 734
Other	1 697	795	1 039	—	73	111	985	784
Foreign bonds	**21 369**	**26 397**	**27 822**	**1 442**	**2 149**	**1 743**	**22 755**	**23 539**
U.S. dollar	7 552	5 946	4 545	100	250	300	4 087	3 635
German mark	1 310	2 952	2 671	—	190	212	1 621	2 177
Dutch guilder	481	956	1 053	92	73	158	979	970
British pound	746	1 214	811	85	101	157	1 176	724
Swiss franc	8 265	11 432	14 299	811	1 174	627	11 181	12 306
Japanese yen	2 457	3 418	3 772	350	290	275	3 336	3 071
Other	538	479	671	4	71	14	375	656
Total	**52 985**	**78 042**	**76 323**	**8 879**	**9 078**	**10 989**	**85 538**	**64 822**

International bond issues – by country of borrower

new issues with a maturity of three years or more, publicly offered or privately placed in the period
millions of dollars

	1981	1982	1983	1984			Jan-Oct	
				Aug	Sep	Oct	1984	1983
Industrial countries	**40 881**	**63 062**	**80 303**	**7 427**	**8 237**	**9 349**	**74 176**	**51 099**
Australia	991	2 250	2 529	319	152	339	2 065	2 182
Austria	1 557	1 668	1 290	—	95	100	1 857	1 078
Belgium	527	211	1 116	—	479	5	1 234	616
Canada	10 648	11 979	7 487	327	883	556	5 883	6 252
Denmark	695	1 269	1 719	421	233	193	3 197	1 399
Finland	672	815	866	135	44	204	1 259	812
France	3 156	8 386	5 461	1 026	586	539	6 289	5 959
Germany	279	1 101	3 095	337	—	151	1 577	2 734
Ireland	517	625	959	300	49	137	750	522
Italy	1 108	2 214	1 585	610	50	1 000	2 546	1 229
Japan	6 926	8 397	13 977	1 168	877	739	15 137	11 735
Netherlands	630	894	935	—	110	43	830	804
New Zealand	1 107	1 375	645	—	120	226	965	645
Norway	530	832	624	75	216	150	926	598
Portugal	30	206	76	—	60	20	325	46
South Africa	92	374	548	76	30	75	808	425
Spain	444	747	1 470	—	30	593	1 395	937
Sweden	2 050	2 479	3 809	332	164	799	5 877	3 676
United Kingdom	1 408	1 201	1 398	63	220	1 239	3 795	1 161
United States	6 770	14 538	7 325	2 125	3 552	2 111	15 741	6 293
*Other**	722	1 501	2 409	113	287	130	1 720	1 984
Developing countries	**4 886**	**5 063**	**2 535**	**378**	**80**	**278**	**2 167**	**2 190**
Latin American countries	**3 658**	**2 480**	**71**	**46**	**—**	**20**	**116**	**71**
Argentina	195	—	—	—	—	—	—	—
Brazil	60	91	—	—	—	—	—	—
Chile	30	—	—	—	—	—	—	—
Colombia	20	35	—	—	—	—	—	—
Mexico	3 012	1 919	—	—	—	—	19	—
Panama	25	—	21	—	—	—	—	21
Venezuela	291	385	—	—	—	—	—	—
*Other***	25	50	50	46	—	20	97	50
Asian countries	**1 068**	**2 075**	**2 252**	**282**	**80**	**258**	**1 961**	**1 967**
Hong Kong	70	40	50	—	—	—	—	—
India	271	225	60	71	—	20	212	40
Indonesia	97	412	328	—	—	—	50	328
Korea	323	172	556	170	60	236	827	465
Malaysia	—	807	883	—	—	—	540	819
Philippines	99	50	—	—	—	—	—	—
Singapore	30	125	70	—	20	—	20	70
Thailand	93	63	265	41	—	—	270	205
Other	85	181	40	—	—	—	42	40
Middle Eastern and African countries	**160**	**448**	**212**	**50**	**—**	**—**	**99**	**152**
Egypt	—	75	—	—	—	—	40	—
Israel	117	200	135	—	—	—	—	135
United Arab Emirates	—	20	—	—	—	—	—	—
Other	43	153	77	50	—	—	50	17
Centrally planned countries	**75**	**65**	**75**	**50**	**—**	**66**	**118**	**75**
China	—	65	50	—	—	—	—	50
Hungary	20	—	—	—	—	41	41	—
*Other****	55	—	25	50	—	25	75	25
International organizations****	**7 183**	**9 912**	**13 410**	**1 024**	**761**	**1 298**	**8 939**	**11 488**
Total	**52 985**	**78 042**	**76 323**	**8 879**	**9 078**	**10 989**	**85 538**	**64 822**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years
at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States companies											
Eurodollar	n.a.	11.16	11.59	11.77	12.28	12.53	13.33	13.27	12.70	11.97	12.09
Euromark	n.a.	7.24	7.34	7.26	7.24	7.29	7.55	7.48	7.74	7.40	7.30
Swiss franc	n.a.	5.61	5.73	5.61	5.63	5.59	5.85	5.69	5.68	5.60	5.63
European governments											
Eurodollar	n.a.	12.53	12.65	12.58	12.96	13.27	14.18	14.14	13.61	13.03	12.92
Euromark	n.a.	8.10	8.12	7.63	7.82	7.88	8.03	8.07	8.31	7.94	7.78
Swiss franc	n.a.	5.36	5.59	5.33	5.34	5.35	5.59	5.55	5.43	5.35	5.35
European currency unit	n.a.	n.a.	11.77	11.08	11.29	11.49	11.40	11.63	11.60	11.58	11.43

Eurocurrency bank credits — by country of borrower

credits with a maturity of one year or more, publicly announced in period
millions of dollars

	1981	1982	1983	1984			Jan-Oct	
				Aug	Sep	Oct	1984	1983
Industrial countries	**86 022**	**42 571**	**38 742**	**2 813**	**2 753**	**2 878**	**64 703**	**31 995**
Australia	1 660	4 721	2 934	75	350	648	2 079	2 359
Belgium	360	1 172	883	—	—	—	—	83
Canada	4 112	3 838	967	249	—	48	2 089	517
Denmark	1 681	789	1 586	25	—	104	1 147	1 586
Finland	483	631	283	—	75	—	90	228
France	3 912	5 703	1 700	863	—	—	2 655	1 552
Greece	1 039	770	1 085	—	—	300	945	836
Ireland	1 381	401	764	—	307	—	378	621
Italy	6 030	3 757	2 980	105	21	388	2 112	2 890
Norway	713	1 769	1 236	—	—	87	111	589
Portugal	1 590	1 [illegible]	913	—	106	35	838	800
South Africa	287	1 479	752	10	50	—	410	752
Spain	3 242	1 849	3 041	50	—	249	2 160	2 499
Sweden	1 887	649	3 188	19	84	115	4 618	3 188
United Kingdom	747	1 635	1 328	66	335	410	3 624	1 269
United States	54 784	8 516	12 948	1 091	1 083	325	38 361	10 630
Yugoslavia	684	719	615	—	—	50	111	615
*Other**	1 490	4 785	1 549	260	340	119	2 095	1 181
Developing countries	**45 264**	**41 519**	**32 937**	**1 540**	**1 972**	**989**	**24 483**	**30 445**
Latin American countries	**30 152**	**26 719**	**15 406**	**495**	**456**	**250**	**12 970**	**15 302**
Argentina	2 534	1 565	1 750	—	—	—	—	1 750
Brazil	5 751	5 716	4 475	103	280	100	7 008	4 475
Chile	2 204	1 194	1 319	—	—	—	784	1 319
Colombia	1 030	741	549	200	160	—	564	549
Ecuador	934	815	431	80	—	—	80	431
Mexico	7 530	7 953	5 138	10	15	—	3 885	5 100
Peru	1 407	1 069	500	—	—	—	10	500
Venezuela	7 559	6 799	237	—	—	—	—	237
*Other***	1 203	867	1 007	12	—	150	639	[illegible]
Asian countries	**10 286**	**8 403**	**8 828**	**849**	**1 488**	**654**	**8 232**	**6 [illegible]**
India	377	284	809	59	—	309	614	719
Indonesia	725	1 250	1 467	381	12	—	1 325	1 441
Korea	2 824	2 923	3 250	253	1 030	45	3 648	2 858
Malaysia	1 725	1 909	950	15	100	—	784	920
Pakistan	350	455	365	100	—	—	100	340
Philippines	1 257	635	819	—	—	—	—	715
Thailand	692	268	349	21	85	300	943	299
Other	2 338	679	819	20	181	—	818	794
Middle Eastern and African countries	**4 824**	**6 397**	**8 703**	**286**	**109**	**55**	**3 281**	**7 068**
Algeria	—	26	1 934	—	—	—	200	747
Egypt	63	353	335	—	—	25	99	285
Morocco	774	326	226	—	—	—	115	226
Nigeria	1 802	2 042	1 775	—	—	—	—	1 758
Turkey	100	2 042	1 106	—	16	25	741	1 106
United Arab Emirates	363	93	876	—	—	—	39	776
Other	1 722	3 280	2 451	286	93	5	2 117	2 180
Centrally planned countries	**1 791**	**765**	**1 212**	**50**	**536**	**185**	**2 887**	**1 012**
East Germany	470	8	392	—	—	40	130	392
Hungary	550	340	683	—	250	—	1 127	483
Soviet Union	25	374	68	—	276	122	926	68
*Other****	746	43	69	50	—	4	704	69
International organizations****	**302**	**180**	**1 321**	**—**	**—**	**250**	**250**	**1 321**
Total	**133 379**	**85 015**	**74 212**	**4 453**	**5 251**	**4 253**	**92 323**	**64 773**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency market size

measured by foreign currency liabilities
at end of period, billions of dollars

	1977	1978	1979	1980	1981	1982	1983			1984
							Jun	Sep	Dec	Mar
Gross market size	740	949	1 233	1 524	1 861	2 057	2 045	2 115	2 144	2 257
Nonbanks	135	174	245	327	428	474	489	515	540	603
Official monetary institutions	100	115	145	150	132	90	84	90	89	90
Other banks	505	660	843	1 047	1 301	1 493	1 472	1 510	1 515	1 564
Eurodollars as % of gross	78	74	72	75	78	79	80	80	80	78

Central bank discount rates

at or near end of month

	1981	1982	1983	1984					Current	
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct 31 1984	effective since
United States	12.00	8.50	8.50	9.00	9.00	9.00	9.00	9.00	9.00	Apr 9, 84
Canada	14.66	10.05	9.96	11.54	12.36	12.98	12.38	12.27	11.71	Oct 25, 84
Austria	6.75	4.75	3.75	4.25	4.50	4.50	4.50	4.50	4.50	Jun 28, 84
Belgium	15.00	11.50	10.00	11.00	11.00	11.00	11.00	11.00	11.00	Feb 16, 84
Denmark	11.00	10.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	9.25	8.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Jul 1, 83
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	7.50	5.00	4.00	4.00	4.50	4.50	4.50	4.50	4.50	Jun 29, 84
Ireland	17.15	14.35	11.50	12.00	12.00	13.00	13.00	13.00	13.00	Jul 27, 84
Italy	19.00	18.00	17.00	15.50	15.50	15.50	15.50	16.50	16.50	Sep 4, 84
Netherlands	9.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Sep 9, 83
Norway	9.00	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	18.00	19.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	Aug 10, 83
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	11.00	10.00	8.50	8.50	9.50	9.50	9.50	9.50	9.50	Jun 29, 84
Switzerland	6.00	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	14.37	10.00	9.00	9.00	8.88	11.88	10.38	10.38	10.38	Aug 17, 84
Japan	5.50	5.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Oct 22, 83
New Zealand	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Jul, 81
South Africa	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	Dec 12, 81
Argentina	98.50	128.54	183.75	167.37	167.37	199.94	199.94	199.94	199.94	Jul 1, 84
Korea	10.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
Philippines	6.69	6.30	8.05	9.64	9.88	10.97	11.52	n.a.	11.52	Aug, 84
Singapore	9.50	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Feb 19, 82
Thailand	14.50	12.50	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Dec 9, 83
Venezuela	14.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	May 18, 83

Day-to-day money rates

monthly averages

	1981	1982	1983	1984							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	12.37	8.95	9.47	9.59	9.91	10.29	10.32	11.06	11.23	11.64	11.37
Canada	14.53	10.63	8.78	9.63	9.50	9.72	9.78	10.75	11.41	12.25	12.13
Austria	7.50	6.00	5.75	5.87	6.00	6.38	6.50	6.50	6.50	6.63	6.63
Belgium	12.78	9.43	8.65	7.57	11.20	11.37	9.13	9.80	10.22	10.72	8.79
Finland	11.30	11.50	16.70	17.50	17.50	16.77	16.53	16.80	16.53	16.50	16.10
France	15.46	12.88	12.27	12.30	12.48	12.15	12.04	12.12	11.51	11.43	11.36
Germany	10.65	6.07	5.60	5.55	5.52	5.53	5.53	5.53	5.57	5.53	5.56
Ireland	16.88	14.54	12.19	11.25	10.75	12.12	11.75	10.94	12.00	11.88	12.38
Italy	20.63	19.00	17.88	17.67	17.25	17.25	16.93	16.75	16.75	16.63	17.34
Netherlands	10.67	5.31	5.84	6.12	6.13	5.79	5.62	5.85	5.98	5.85	5.84
Norway	18.60	11.00	13.00	11.45	13.00	13.00	13.00	12.50	12.00	12.50	13.00
Spain	18.73	20.30	16.41	18.14	14.75	11.54	11.93	11.91	11.15	12.69	12.51
Sweden	13.82	8.63	11.48	10.90	10.15	9.65	11.50	13.50	12.95	13.50	13.50
Switzerland	3.38	1.25	1.88	1.62	2.25	2.00	2.25	2.13	2.88	2.00	2.50
United Kingdom	9.13	6.70	7.77	7.12	7.08	6.25	3.25	5.00	8.63	10.58	7.28
Australia	12.84	11.04	4.56	9.05	11.21	13.45	13.30	11.44	11.34	10.94	10.56
Japan	6.70	6.92	6.47	6.04	6.05	5.88	5.74	5.91	6.03	6.11	6.32
South Africa	12.75	14.15	16.06	17.25	17.25	17.25	17.25	17.25	18.06	20.30	22.63
Argentina	84.93	155.32	178.30	128.53	128.52	161.88	161.88	161.88	194.56	194.56	194.56
Brazil	103.74	150.42	184.69	295.48	268.44	217.98	198.78	226.75	283.79	242.73	285.03
Hong Kong	10.75	9.13	13.90	3.31	7.32	9.00	11.00	13.00	23.40	11.30	11.99
Korea	14.40	13.84	11.40	10.50	10.00	11.70	11.90	11.90	11.70	11.70	11.20
Philippines	14.70	16.12	31.18	21.76	9.99	17.93	33.17	40.17	39.79	29.13	n.a.
Singapore	3.96	11.45	7.05	6.83	7.64	8.13	7.82	6.80	7.67	8.05	8.16

Treasury bill rates

bond equivalent yields, at or near end of month

	1981	1982	1983	1984						
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	11.90	8.15	9.28	9.48	10.09	10.02	10.13	10.29	10.67	11.06	10.64
Canada	14.41	9.80	9.71	9.79	10.53	10.59	11.29	12.11	12.73	12.13	12.02
Belgium	16.00	12.25	10.85	12.25	12.25	11.75	11.75	11.75	11.75	11.50	11.00
Ireland	17.35	14.70	11.63	12.16	12.59	12.35	12.10	12.08	13.23	12.81	12.71
Italy	21.36	19.11	16.95	15.81	15.61	15.45	14.99	14.85	14.99	14.99	14.50
Netherlands	9.75	5.62	5.63	6.12	5.88	5.38	5.63	5.88	5.75	5.75	5.50
Spain	n.a.	15.28	14.46	13.66	13.20	12.64	12.04	11.17	10.30	9.44	8.91
Sweden	n.a.	12.90	11.75	11.15	10.80	10.99	11.83	14.20	14.12	14.06	13.80
United Kingdom	15.31	9.90	9.08	9.08	8.59	8.59	9.99	9.08	11.77	10.22	10.39
Australia	13.27	9.39	8.54	10.35	13.11	11.89	11.81	11.24	10.60	9.74	9.60
Japan	5.42	5.42	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91
New Zealand	11.25	11.25	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80
South Africa	14.55	14.62	18.43	18.57	18.57	18.64	18.64	18.44	19.69	23.02	23.02
Brazil	92.62	115.40	179.15	179.15	179.15	179.15	179.15	179.15	179.15	179.15	269.00
Mexico	33.33	57.44	53.78	50.32	46.16	46.63	51.56	50.55	50.31	50.13	n.a.
Philippines	13.22	14.54	15.99	17.01	17.25	17.61	20.81	28.53	33.34	37.51	n.a.
Singapore	3.03	2.74	2.59	2.65	2.66	2.87	3.00	3.01	3.00	3.01	3.01

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1981	1982	1983	1984						
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	12.78	8.81	9.75	9.68	10.30	10.50	10.94	11.63	11.36	11.58	10.94
Canada	15.25	9.95	9.87	9.95	10.70	10.75	11.55	12.50	13.05	12.30	12.25
Belgium	16.00	12.35	11.00	12.50	12.35	11.90	11.90	11.90	11.90	11.50	11.00
France	15.25	12.75	12.19	12.54	12.56	12.31	12.25	12.06	11.63	11.18	10.94
Germany	10.50	6.20	6.30	5.85	5.80	5.70	6.25	6.10	6.05	5.90	6.05
Ireland	18.50	15.75	12.19	12.56	13.00	12.88	12.75	12.50	13.75	13.25	13.06
Italy	21.00	19.00	17.88	17.00	17.25	17.25	16.75	16.63	16.63	16.63	17.25
Netherlands	11.00	5.25	6.00	6.00	6.06	5.88	6.13	6.19	6.44	6.38	6.19
Portugal	13.80	15.04	24.11	23.79	23.99	24.04	24.00	25.25	24.65	24.53	n.a.
Spain	15.52	16.55	16.48	16.30	16.42	15.07	14.66	13.45	12.91	13.19	12.86
Switzerland	10.12	3.87	3.87	3.75	3.94	3.88	4.25	4.50	4.88	5.38	5.38
United Kingdom	15.69	10.50	9.31	9.21	8.88	8.81	9.75	9.44	12.31	10.69	10.69
Australia	16.00	10.65	9.50	13.00	13.55	14.20	13.55	12.70	12.50	11.10	11.30
Japan	6.30	6.80	6.42	6.40	6.40	6.20	6.35	6.32	6.33	6.32	6.32
New Zealand	16.05	16.75	12.10	15.00	14.75	15.00	17.00	17.00	16.50	15.25	16.75
South Africa	15.47	15.26	19.12	19.01	18.30	19.07	18.00	18.74	20.78	23.39	23.56
Chile	34.54	71.44	22.42	14.03	11.35	18.16	18.16	18.16	19.56	18.16	39.29
Hong Kong	14.18	10.13	12.84	7.87	7.90	9.93	12.38	13.13	17.06	12.83	12.78
Indonesia	14.48	18.50	19.50	20.50	19.50	18.50	19.00	20.00	21.00	n.a.	n.a.
Korea	15.69	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.50	8.50	9.80	8.51	8.95	9.10	9.20	9.70	10.20	10.50	10.30
Philippines	17.70	15.96	15.61	17.41	17.14	15.83	26.51	17.93	19.55	27.32	n.a.
Singapore	7.81	8.69	8.44	7.75	8.50	8.63	9.13	9.00	9.06	9.03	8.81
Taiwan	10.94	9.94	7.65	9.42	7.81	7.31	6.15	7.77	7.27	6.62	7.27
Thailand	14.29	12.25	16.00	17.00	15.50	13.50	14.00	13.50	13.50	13.50	14.50

Commercial bank deposit rates

at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	12.62	8.25	9.70	9.77	10.35	10.50	11.50	11.70	11.38	11.58	10.95
Canada	15.20	9.85	9.82	9.90	10.65	10.70	11.50	12.45	13.00	12.25	12.20
Austria	9.63	6.25	6.50	6.25	6.44	6.56	6.88	6.88	6.88	6.94	7.06
Belgium	15.50	12.25	11.25	12.37	11.75	11.50	11.88	12.50	11.63	11.25	10.88
Denmark	10.00	9.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Finland	5.00	4.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
France	9.16	8.24	7.66	7.76	7.76	7.76	7.55	7.55	7.50	7.30	7.30
Germany	9.50	6.00	5.90	5.40	5.35	5.35	5.65	5.60	5.55	5.40	5.30
Ireland	18.38	15.25	11.75	12.37	12.63	12.50	12.50	12.25	13.13	12.75	12.75
Italy	13.25	13.25	13.25	13.25	13.25	13.25	11.64	11.64	11.64	11.64	11.64
Netherlands	11.00	5.37	6.13	6.00	6.06	5.75	6.00	6.13	6.31	6.13	6.13
Norway	12.75	13.50	12.75	12.50	12.75	12.75	12.50	12.50	12.25	12.25	12.75
Portugal	14.00	15.00	21.50	21.50	21.50	21.50	21.50	28.00	28.00	28.00	28.00
Spain	11.78	12.53	12.62	12.52	12.35	12.64	12.49	12.75	12.50	12.38	n.a.
Sweden	12.65	12.15	11.70	11.10	10.65	10.65	11.25	13.65	13.70	13.55	13.45
Switzerland	8.75	3.00	3.50	3.25	3.00	3.00	3.25	3.25	4.25	4.88	4.88
United Kingdom	15.69	10.31	9.31	9.25	8.88	8.91	9.94	9.44	12.25	10.59	10.63
Australia	15.65	10.20	10.40	12.20	13.13	13.36	13.43	12.80	12.28	10.85	10.68
Japan	6.50	7.00	6.50	6.63	6.50	6.35	6.50	6.45	6.47	6.46	6.42
New Zealand	15.50	16.50	11.50	10.00	10.00	14.75	16.50	15.00	15.00	15.50	15.25
South Africa	14.75	15.25	20.13	18.88	19.38	18.88	18.78	18.65	20.50	23.25	23.50
Argentina	86.76	103.42	176.41	121.66	121.66	158.17	158.17	158.17	188.58	188.58	270.00
Brazil	110.05	21.00	23.00	25.00	23.00	19.00	22.00	22.00	20.00	21.00	27.00
Chile	36.87	57.72	22.28	12.95	11.09	18.16	18.16	18.16	19.56	18.16	15.39
Hong Kong	12.50	7.50	9.00	5.50	5.50	8.00	9.50	12.50	12.50	9.50	9.50
Korea	14.40	7.60	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	10.00	8.40	7.75	7.75	7.83	7.83	8.70	8.83	8.88	8.95	9.37
Mexico	31.82	52.54	54.70	51.21	47.63	47.30	49.00	49.00	49.00	48.35	n.a.
Philippines	13.35	14.10	14.96	15.57	15.37	15.30	15.92	20.83	19.92	20.63	n.a.
Singapore	7.50	6.25	7.44	7.19	7.69	8.01	8.38	8.19	8.19	8.19	8.19
Taiwan	10.75	7.50	7.00	7.00	7.00	7.00	6.75	6.75	6.75	6.75	6.75
Thailand	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Venezuela	14.75	15.50	12.00	11.50	11.00	11.50	12.00	12.00	12.50	12.50	12.00

Domestic government bond yields

long-term issues, at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	14.33	10.61	12.00	12.13	12.49	12.79	13.58	13.75	12.97	12.69	12.32
Canada	15.27	11.69	12.02	12.40	13.06	13.31	13.93	13.81	13.41	12.89	12.63
Austria	10.37	8.81	8.02	7.88	7.88	7.94	7.99	8.06	8.09	8.10	8.09
Belgium	13.99	12.66	11.89	12.35	12.20	12.08	12.19	12.13	12.05	11.82	11.85
Denmark	20.91	20.14	12.96	14.02	14.78	14.27	15.20	15.54	15.33	15.17	15.30
Finland	10.98	10.64	11.16	10.62	11.19	10.80	11.20	11.29	11.35	10.83	10.87
France	16.44	15.40	13.98	13.78	14.05	13.81	13.82	13.99	13.91	13.58	13.06
Germany	9.71	7.90	8.38	8.13	8.16	8.18	8.29	8.25	8.27	7.97	7.85
Ireland	18.28	14.54	14.25	14.16	14.08	14.14	14.49	14.58	14.89	14.95	14.98
Italy	21.39	19.70	17.69	16.34	15.69	15.74	15.71	15.47	15.12	15.23	15.64
Netherlands	11.28	9.16	8.58	8.56	8.40	8.45	8.52	8.68	8.69	8.50	8.26
Norway	12.37	13.32	12.50	12.25	12.25	12.25	12.00	12.00	12.00	12.00	12.00
Portugal	17.39	16.63	22.11	21.57	21.97	22.37	21.82	21.90	n.a.	n.a.	n.a.
Spain	16.20	15.92	16.71	16.68	16.74	16.64	16.69	16.16	17.66	17.44	n.a.
Sweden	12.80	13.01	12.30	11.50	11.50	11.65	12.60	14.01	14.19	13.70	12.98
Switzerland	5.40	4.22	4.54	4.56	4.37	4.47	4.61	4.69	4.66	4.58	4.81
United Kingdom	15.02	10.62	9.94	10.04	9.89	10.16	10.73	10.81	11.17	10.43	10.18
Australia	15.00	13.00	13.65	14.05	14.00	14.00	14.10	14.00	13.30	13.10	13.50
Japan	8.11	7.96	7.45	7.45	7.25	7.30	7.60	7.50	7.47	7.45	7.37
New Zealand	12.55	12.64	10.50	11.33	10.42	8.97	8.50	10.06	10.25	15.20	15.50
South Africa	13.33	11.31	13.64	13.80	13.78	14.46	14.68	14.72	15.93	16.04	10.44
Philippines	13.01	13.64	14.47	14.61	13.67	18.47	18.45	19.04	12.19	20.59	n.a.
Venezuela	12.50	15.00	13.50	13.00	13.00	13.50	14.00	14.00	14.00	14.50	14.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	15.75	11.50	11.00	11.00	11.50	12.00	12.50	13.00	13.00	13.00	12.75
Canada	16.50	12.50	11.00	11.00	11.50	11.50	12.00	12.50	13.50	13.00	13.00
Austria	13.50	11.75	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Belgium	18.00	15.50	13.75	14.75	14.75	14.75	14.75	14.75	14.75	14.25	14.25
Denmark	15.00	14.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Finland	9.84	8.95	10.18	10.36	10.38	10.42	10.43	10.48	10.48	10.49	n.a.
France	14.00	12.25	12.25	12.25	12.25	12.25	12.25	12.25	12.25	12.00	12.00
Germany	13.00	8.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Ireland	17.25	16.50	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Italy	22.50	20.75	18.75	18.50	17.50	17.50	17.00	17.00	17.00	17.00	18.00
Netherlands	12.00	6.25	7.00	6.75	6.75	6.50	6.50	6.50	6.75	6.75	6.50
Norway	13.75	14.50	13.50	13.75	13.30	13.30	12.75	13.00	12.75	12.50	13.00
Portugal	20.50	23.50	30.00	30.00	30.00	30.00	29.00	29.00	29.00	29.00	29.00
Spain	17.04	19.00	20.85	20.55	19.44	17.96	17.55	16.19	15.49	15.27	14.36
Sweden	15.00	15.00	13.50	13.50	13.50	13.50	13.50	14.50	14.50	14.50	14.50
Switzerland	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
United Kingdom	14.50	10.00	9.00	9.00	8.50	8.50	9.00	9.25	12.00	10.50	10.50
Australia	15.75	15.00	12.75	13.00	14.00	15.50	15.00	14.75	14.50	14.00	13.00
Japan	6.95	6.28	5.89	5.77	5.76	5.75	5.74	5.73	5.72	5.73	5.73
New Zealand	13.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	12.50	12.50
South Africa	17.00	18.00	20.00	20.00	20.50	20.50	20.50	20.50	22.00	25.00	25.00
Argentina	92.60	109.50	188.58	133.83	133.83	170.33	170.33	170.33	206.83	206.83	280.00
Brazil	152.40	23.81	24.00	24.00	24.00	23.00	26.00	26.00	22.50	23.50	32.00
Chile	61.43	85.19	35.11	22.75	21.26	34.35	33.04	32.30	32.30	30.38	35.58
Hong Kong	16.00	10.50	13.50	10.00	10.00	12.00	13.75	17.00	17.00	14.00	14.00
Indonesia	19.25	22.00	19.75	21.25	21.50	20.75	21.00	20.75	21.25	22.75	31.50
Korea	16.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	12.00	12.50	11.00	11.00	11.00	11.00	11.00	11.50	11.50	11.50	11.50
Mexico	31.81	46.12	56.44	55.16	53.11	51.10	50.12	50.38	50.89	50.93	50.60
Philippines	18.00	18.00	18.00	18.00	22.00	22.00	24.00	24.00	24.00	n.a.	n.a.
Singapore	11.83	9.33	8.98	9.03	9.20	9.63	9.98	10.08	10.10	10.10	10.33
Taiwan	15.25	10.75	10.25	10.25	10.25	10.25	10.00	10.00	10.00	10.00	10.00
Thailand	17.00	16.00	16.00	16.50	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Venezuela	15.50	17.00	16.00	14.50	14.50	15.00	15.00	15.00	15.50	16.00	15.00

Domestic corporate bond yields

long-term issues, at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United States	15.50	11.75	12.63	12.88	13.25	13.88	13.58	14.50	13.38	13.20	12.88
Canada	16.18	12.74	12.89	13.27	13.84	14.13	14.59	14.89	13.91	13.39	13.33
France	17.33	15.91	14.06	14.28	14.37	14.23	13.88	13.77	13.77	13.77	13.77
Germany	10.50	8.20	8.30	8.00	8.00	8.00	8.00	8.00	8.00	7.90	7.70
Netherlands	11.03	7.90	8.51	8.39	8.26	8.28	8.35	8.43	8.49	8.42	8.21
Norway	13.36	14.13	13.25	13.00	13.00	13.00	12.75	12.75	12.75	12.75	12.75
Spain	14.76	17.10	19.84	20.89	21.90	22.54	22.06	21.63	21.47	21.78	n.a.
Sweden	12.94	13.37	12.21	11.96	11.84	12.04	12.23	12.41	12.73	12.78	13.18
Switzerland	n.a.	4.87	4.94	4.91	4.85	4.91	5.10	5.07	5.10	5.12	5.12
United Kingdom	16.65	12.34	11.57	11.61	11.29	11.48	12.11	12.68	13.06	12.15	11.74
Australia	16.50	15.00	13.50	14.50	14.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	7.70	7.55	7.09	7.04	6.92	6.89	7.16	7.13	7.09	7.06	6.98
Korea	26.90	15.90	14.20	14.00	13.60	13.00	13.20	13.70	14.00	14.50	14.60
Venezuela	17.00	18.00	18.00	17.50	17.50	17.50	18.00	18.00	18.00	18.50	18.00

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